

# Health Care Cost Study

## OFFICE OF PERFORMANCE EVALUATIONS

### Proposed Study Plan

August 2006

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#### **Project Overview**

*State and local governments in Idaho spend well over \$1 billion annually to provide health care to constituents and employees. The purpose of this study is to catalog public health care expenditures, describe how these funds are used, and identify opportunities to redirect resources to address the needs of the uninsured.*

#### **Background**

Based on information obtained from the U.S. Census Bureau, 232,330 Idahoans (17 percent) were uninsured in 2004. These individuals were not covered by employer-sponsored or individual insurance plans, and did not receive benefits through Medicaid, Medicare, or other public insurance programs. The percentage of people in Idaho without insurance coverage was slightly higher than the national average.

Research shows the uninsured are less likely to receive needed health care services than those with insurance. A 2003 survey by the Kaiser Family Foundation found the uninsured three times more likely to postpone care because of cost than those with insurance. In addition, the uninsured were less likely to receive preventive care, and more likely to be hospitalized for conditions that could have been avoided, than those with health care coverage.

Idaho counties and the state incur significant costs to pay for medical services for the uninsured. Statutes require the counties to care for the medically indigent. When annual costs for these individuals exceed \$10,000, counties can request reimbursement from the state's Catastrophic Health Care Cost Program. Together, the counties and state spent \$32.5 million for indigent care in fiscal year 2005. Hospitals and individual health care providers in Idaho also incur significant costs to provide charity care to the uninsured.

The legislative Health Care Task Force has been grappling with issues related to the uninsured, and in February 2006 recommended the state undertake a study of public health care costs. The goal of the study is to identify ways to redirect current health care spending to help expand coverage or services for the uninsured. In March, the Legislature appropriated \$250,000 for a study, and directed the Joint Legislative Oversight Committee and Office of Performance Evaluations (OPE) to determine the scope for the project, and select and oversee consultants who will perform the work.

Since being assigned the project, OPE staff have met with key stakeholders to obtain input about the project including:

- Legislators
- Department of Health and Welfare officials

- Department of Insurance officials
- Administrator of the Catastrophic Health Care Fund
- County representatives
- School district officials
- Researchers from Idaho universities
- Representatives from the insurance industry
- Experts in health economics
- Officials from several other states

## Study Approach

Based on input received from stakeholders, we are proposing a multi-phase approach to the study. The first phase of the study would focus on compiling information to assist Health Care Task Force members identify alternatives that could be considered to expand coverage or improve services for the uninsured. Research to be conducted during Phase 1 would include:

1. **Cataloging public and private spending for health care in Idaho** – Researchers would gather data on public health care costs from state and local (cities, counties, school districts) agencies in Idaho, and use information from the federal Centers for Medicare and Medicaid Services and other sources to estimate private health care costs. Researchers would also collect information about how these health care dollars are spent.
2. **Summarizing available information about Idaho's uninsured population** – Several research studies on Idaho's uninsured have been done in the past five years, some with funding from the federal Health Resources and Services Administration. Researchers would synthesize available information to provide policymakers with information regarding the size and composition of the uninsured population.
3. **Examining approaches used in other states to address the uninsured** – A number of other states have taken steps to expand health care coverage or improve services available for the uninsured. For example, Pennsylvania has developed a program to provide basic health care to adults who do not qualify for Medicaid, and Massachusetts recently adopted sweeping reforms to reduce the number of uninsured. Researchers would compile information about alternative approaches and their impact.
4. **Reviewing factors that drive health care costs** – Researchers would compile information on health care cost drivers and likely areas of inefficiency or waste in the health care system based on existing research.

Phase 1 research would be completed by February 2007.

After reviewing information gathered in Phase 1, task force members would participate in a consultant-facilitated discussion to identify the alternatives that offer the greatest potential to improve the situation for specific categories of people who are uninsured.

Phase 2 of the study would involve in-depth review of selected alternatives to assess the impact they are likely to have on health care costs, coverage rates, and health care services for those who are uninsured under Idaho's existing system.